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PUBLIC UTILITY DISTRICT NO. 2 OF GRANT
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[Appearance of additional counsel noted on
signature page]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

PUBLIC UTILITY DISTRICT NO. 2 OF
GRANT COUNTY, WASHINGTON

Plaintiff.

vs.

PACIFIC GAS AND ELECTRIC COMPANY

Defendant.

Case No. 07-3243 JSW

Chapter 11 Case

Bankr. Case No. 01-30923 DM

**JOINT STATUS REPORT ON
SETTLEMENT**

1 Pursuant to this Court's March 3, 2008 Order (Docket No. 43), Plaintiff Public Utility
2 District No. 2 of Grant County, Washington ("Grant County") and Defendant Pacific Gas and
3 Electric Company ("PG&E"), by and through their respective attorneys of record, hereby file this
4 Joint Status Report regarding the settlement in principle reached between the parties:

5 1. As reported to the Court in the Joint Notice of Settlement in Principle (Docket
6 No. 40) filed on January 24, 2008, the parties have reached a settlement in principle on the
7 matters underlying this proceeding. The parties have been working diligently since that date to
8 complete their settlement negotiations and document the settlement in writing. In fact, they have
9 exchanged drafts of a settlement agreement.

10 2. This process of documenting the settlement has been time-consuming and
11 intensive because of the complexity of the issues involved, the number of parties that are parties
12 to or will be affected by the settlement and the number of court and administrative proceedings
13 that are involved in the settlement. For example, there are multiple parties to the settlement in
14 addition to Grant County and PG&E, including Southern California Edison Company, San Diego
15 Gas & Electric Company, People of the State of California, *ex rel.* Edmund G. Brown Jr.,
16 Attorney General, California Department of Water Resources-California Energy Resource
17 Scheduling and the California Public Utilities Commission. In addition, the settlement as
18 contemplated will require certain payments to be transferred from the California Power Exchange
19 Corporation ("PX"), and will also require the PX and the California Independent System Operator
20 Corporation to perform various calculations and make various adjustments to their books and
21 records. Accordingly, those entities — even though they are not parties to the settlement
22 agreement — must review and comment on the settlement as well. Moreover, the settlement
23 involves the resolution of not only this proceeding, but other proceedings in state and federal
24 courts, as well as administrative proceedings in front of the Federal Energy Regulatory
25 Commission ("FERC").

26 3. Despite all of these moving parts to the settlement, the parties have made
27 substantial progress over the last two months in reaching a definitive written settlement
28 agreement and hope that a final version will be signed in the coming weeks. The settlement as

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1 drafted has concrete incentives to achieve an effective date prior to June 1, 2008, and thus the
2 parties are working assiduously to finalize the agreement so that it can be submitted for FERC
3 approval with sufficient lead time to meet that deadline. Once effective, Grant County's
4 bankruptcy claim in PG&E's bankruptcy case will be resolved and Grant County's request to the
5 Court in this case to withdraw the reference and transfer venue of the claim will become moot.
6 Accordingly, the parties believe that this action may be dismissed by June 1, 2008. In the event
7 the action has not been dismissed by June 1, 2008, the parties propose to file a further joint status
8 report on that date.

9 4. In view of the progress reported above and the likelihood that this matter will be
10 resolved through settlement, the parties respectfully request that the Court's January 25, 2008
11 Order holding these proceedings in abeyance remain in effect for the time being.

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1 Dated: March 28, 2008

Respectfully submitted,

2 JONES DAY

3 By: /s/ Peter G. McAllen

4 Peter G. McAllen, CA SB#107416

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6 DISTRICT NO. 2 OF GRANT COUNTY,
7 WASHINGTON

8 HELLER EHRMAN LLP

9 By: /s/ Peter J. Benvenuti

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